



**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

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WENDY L. WATANABE
AUDITOR-CONTROLLER

February 12, 2013

TO: Martha Jimenez
Louisa Ollague
First District

FROM: Wendy L. Watanabe
Auditor-Controller

SUBJECT: **DEPARTMENT OF PUBLIC SOCIAL SERVICES - CHICANA SERVICE
ACTION CENTER, INC. CONTRACT EXTENSION AND SOLICITATION
DISQUALIFICATION REVIEW**

At your request, we reviewed the process used by the Department of Public Social Services (DPSS or Department) in not extending Chicana Service Action Center, Inc.'s (CSAC or Agency) Community Services Block Grant (CSBG) and Domestic Violence Shelter/CalWORKS (DV) contracts. Our review was intended to determine if DPSS complied with CSAC's contract provisions and the County's contracting policy in not extending CSAC's contracts. We also reviewed the justification DPSS used in deciding to disqualify CSAC's proposal for the CalFresh/Application Assistance Services (CalFresh) solicitation, and reviewed some issues raised by CSAC regarding DPSS.

Our review included reviewing the County contracts and supporting documentation provided by DPSS and CSAC. In addition, we met with DPSS and CSAC management and staff.

CSAC had eight contracts with DPSS to provide CSBG and DV Program services, totaling approximately \$1.3 million a year. The eight contracts expired on December 31, 2012, and were not renewed by DPSS.

Results of Review

As detailed below, DPSS acted within its contractual rights and within County policy in not extending CSAC's contracts. However, we noted that DPSS did not have adequate documentation for three of the four reasons it gave for disqualifying CSAC's proposal for the CalFresh solicitation.

DPSS indicated that they did not extend the CSBG and DV contracts because CSAC had billed the County for ineligible clients under the CSBG contract in Fiscal Years (FYs) 2010-11 and 2011-12, and that these ineligible billings were also the primary reasons they disqualified CSAC's proposal for the CalFresh solicitation. DPSS indicated that they would have disqualified CSAC's CalFresh proposal because of the FYs 2010-11 and 2011-12 billing issues, regardless of the additional issues for which they lacked adequate documentation. The FY 2010-11 billings for ineligible clients are currently being investigated by the County. DPSS and County Counsel indicated that DPSS acted within County contracting policies and State regulations in not recommending CSAC for a CalFresh contract.

CSBG and DV Contract Expiration

DPSS complied with its contracts with CSAC and with the County's contracting policy in not extending CSAC's contracts. Specifically, the contracts and County policy did not require DPSS to extend CSAC's CSBG or DV contracts beyond December 31, 2012. In addition, while the contracts and County policy did not require DPSS to notify the Agency that their contracts would not be extended, DPSS did send CSAC a notice of expiration on December 13, 2012. DPSS indicated that they did not extend CSAC's CSBG and DV contracts because of CSAC's billing for ineligible clients under the CSBG contract in FYs 2010-11 and 2011-12, and the ongoing investigation of the FY 2010-11 billings.

County contracts require vendors to give the County six months notice if they do not plan to extend their contracts. However, County departments are not required to give vendors notice if the County decides not to extend their contract. We recommend that DPSS work with the Chief Executive Office (CEO), County Counsel, and other appropriate County departments to evaluate the feasibility of requiring the County to notify contractors if their contracts are not being extended. This will allow the contractors to notify their service recipients, employees, and subcontractors of the end of the contract.

Recommendation

- 1. DPSS work with the CEO, County Counsel, and other appropriate County departments to evaluate the feasibility of requiring the County to notify contractors if their contracts are not being extended.**

CalFresh Solicitation Disqualification

In October 2012, DPSS notified CSAC that their proposal for the CalFresh solicitation was rejected due to four issues of unsatisfactory contract performance, and a pattern of billing the County for ineligible clients under the CSBG contract. We reviewed the

issues raised by DPSS, and noted that the Department did not have adequate documentation to support three of the four performance issues they used to disqualify CSAC's proposal. The following is a summary of the issues raised by DPSS, and the results of our review of those issues:

- **DPSS indicated that CSAC had billed the County \$101,872 for ineligible participants for the CSBG Program in FY 2010-11. Our review indicates that DPSS had documentation that CSAC had billed the County for ineligible clients for the CSBG Program.**

CSAC acknowledged the ineligible client billings, and repaid the entire amount of \$101,872 by October 2012. This is the billing issue discussed earlier, that is currently under investigation.

- **DPSS indicated that CSAC had billed the County \$181,686 for ineligible participants in FY 2011-12. We noted that DPSS did not have adequate documentation for this claim.**

DPSS indicated that they disallowed \$129,685 because DPSS staff had conducted five site visits at CSAC's two homeless shelters during FY 2011-12, and did not find any evidence that the shelters were being used. However, we could only verify that DPSS had made two site visits to each shelter, and, for one site visit, the DPSS monitor noted the shelter appeared to be in use. DPSS indicated that they disallowed the remaining \$52,001 (\$181,686 - \$129,685) because of CSAC's incomplete/unacceptable documentation of billed services and providing services to ineligible participants. Our review indicates that DPSS had documentation to support the disallowance of the \$52,001. However, it is unclear whether DPSS had adequate documentation to disallow the remaining \$129,685.

- **DPSS indicated that CSAC did not respond to numerous Contract Discrepancy Reports (CDRs). However, our review indicates that CSAC did respond to both CDRs issued by DPSS.**

We did note that CSAC's responses were not timely. After we notified DPSS of our findings, they acknowledged that CSAC had responded to the CDRs. However, DPSS indicated that CSAC's responses were inadequate, and that the Agency did not respond to requests for information during the audit resolution process. We did not evaluate the adequacy of CSAC's responses in addressing the CDRs. However, we noted that, for one of the two CDRs, DPSS did not notify CSAC that their response was inadequate. For the second CDR, CSAC repaid DPSS for the disallowed cost approximately one year after the CDR was issued.

- **DPSS indicated that CSAC did not provide Corrective Action Plans (CAPs). However, our review indicates that CSAC did provide CAPs in response to the CDRs.**

After we notified DPSS of our findings, DPSS indicated that the CAPs were not complete because they were untimely, and did not respond to all the deficiencies noted in the CDRs. As with the prior issue, we did not evaluate the adequacy of CSAC's CAPs. However, we noted that for one of the two CDRs, DPSS did not notify CSAC that their CAP was inadequate.

DPSS needs to ensure that they maintain appropriate documentation of the contract monitoring visits and actions. DPSS should also ensure that they notify contractors if their responses to CDRs are inadequate.

Recommendations

DPSS management:

2. **Ensure the Department maintains appropriate documentation of the contract monitoring visits and actions.**
3. **Ensure the Department notifies contractors if their responses to CDRs are inadequate.**

Conclusion

As noted earlier, our review indicates that DPSS acted within its contractual rights and within County policy in not extending CSAC's contracts. However, we have recommended that DPSS work with the CEO, County Counsel, and other appropriate County departments to evaluate the feasibility of requiring the County to notify contractors if their contracts are not being extended.

We also determined that DPSS did not have adequate documentation for three of the four reasons it gave for disqualifying CSAC's proposal for the CalFresh solicitation. We have recommended that DPSS ensure they maintain documentation of contract monitoring visits and actions, and notify contractors if their responses to CDRs are inadequate.

Based on our review, it appears that CSAC did attempt to address some of the issues raised by DPSS. For example, CSAC acknowledged and repaid the FY 2010-11 billing for ineligible clients. CSAC also provided responses to the CDRs issued by DPSS, although the responses were untimely, and DPSS claims the responses were

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inadequate. Based on CSAC's actions, it appears that CSAC has made an effort to resolve some of the issues with DPSS.

DPSS indicated that they would have disqualified CSAC's CalFresh proposal because of the FYs 2010-11 and 2011-12 billings for ineligible clients, regardless of the additional issues for which they lacked adequate documentation. DPSS also indicated that their disqualification of CSAC based solely on one of the issues is sufficient, and is in accordance with County contracting principles and State regulations.

Attached is a summary of issues raised by DPSS and CSAC regarding the CSBG/DV contracts, the CalFresh solicitation, and other related topics.

Review of Report

We discussed our report with DPSS and County Counsel in February 2013. As noted earlier, DPSS indicated that the primary reason they disqualified CSAC's proposal for the CalFresh solicitation was CSAC's billing for ineligible clients under the CSBG contract in FYs 2010-11 and 2011-12, and that they would have disqualified CSAC's proposal regardless of the additional issues for which they lacked documentation.

Please call me if you have any questions, or your staff may contact Don Chadwick at (213) 253-0301.

WLW:JLS:DC:EB:YP

Attachment

c: William T Fujioka, Chief Executive Officer
Sheryl L. Spiller, Director, Department of Public Social Services
John F. Krattli, County Counsel
Audit Committee
Children's Deputies

Review of Issues Raised by DPSS and CSAC

Statements	Auditor's Review Comments
Community Services Block Grant (CSBG)	
The Department of Public Social Services (DPSS) determined that Chicana Service Action Center, Inc. (CSAC) billed DPSS for CSBG clients who resided outside the service area during Fiscal Year (FY) 2010-11. DPSS referred these billings to the Auditor-Controller's Office of Countywide Investigations.	<p>Statement valid</p> <p>In October 2012, CSAC repaid DPSS the questionable billings totaling \$101,872.</p>
CSAC claimed that other CSBG contractors were also cited for similar residency eligibility findings.	<p>Statement partially valid</p> <p>DPSS indicated that other contractors had billed for ineligible clients. However, the other contractors' billing issues were not as significant as CSAC's. DPSS could not document the amount of residency eligibility findings for the other CSBG contractors.</p>
CSAC claimed that DPSS did not provide them adequate notice that the CSBG and Domestic Violence Shelter/CalWORKS (DV) contracts would not be extended, or the reason(s) why the contracts were not extended.	<p>Statement not valid</p> <p>County contracts require vendors to give the County six months notice if they plan to not extend their contracts. However, County departments are not required to give vendors notice if the County decides not to extend a contract. Even though they were not required, DPSS did notify CSAC that DPSS did not plan to extend the Agency's contracts on December 13, 2012.</p>
Other Issues	
CSAC claims that DPSS was essentially debarring the Agency without going through the debarment process.	<p>Statement not valid</p> <p>DPSS did not terminate CSAC's CSBG and DV contracts. DPSS only decided not to extend the contracts. CSAC has other active County contracts, and may submit proposals for additional contracts. This would not be allowed if CSAC had been debarred.</p>

Review of Issues Raised by DPSS and CSAC

<p>CSAC claimed that DPSS reported no issues with their DV contract performance.</p>	<p>Statement valid</p> <p>DPSS' contract monitoring reports reported no issues with CSAC's DV contract compliance since DPSS took over the contracts from Community and Senior Services in July 2009. However, DPSS indicated they did not extend the DV contracts because of issues with CSAC's billings on the CSBG contracts, and that they believe this was within their contractual rights and within County policy.</p>
<p>CalFresh Solicitation Disqualification</p>	
<p>On October 24, 2012, DPSS cited the following four reasons for disqualifying CSAC's proposal for the CalFresh solicitation:</p>	
<p>(1) DPSS claimed CSAC billed the County \$101,872 for ineligible participants in FY 2010-11.</p>	<p>Statement valid</p> <p>As noted earlier, DPSS determined that CSAC billed for ineligible CSBG clients during FY 2010-11.</p>
<p>(2) DPSS claimed CSAC billed the County \$181,686 for ineligible participants in FY 2011-12.</p>	<p>Statement not valid</p> <p>\$143,379 (79%) of the \$181,686 questioned by DPSS was not related to ineligible clients. DPSS disallowed \$129,685 because of the results of their shelter site visits. DPSS claimed they conducted five site visits at CSAC's two homeless shelters during FY 2011-12, and did not find any evidence the facilities were being used. However, we could only verify two site visits at each shelter, and, for one site visit, the DPSS monitor noted that shelter appeared to be in use. DPSS also did not conduct additional steps, such as interviewing a sample of clients who were reported as being at shelters, to verify if CSAC was using the facilities.</p> <p>DPSS disallowed the other \$52,001 (\$181,686 - \$129,685) because of</p>

Review of Issues Raised by DPSS and CSAC

	<p>incomplete/unacceptable documentation of billed services, and client eligibility issues. DPSS had documentation to support the disallowance of the \$52,001.</p>
<p>(3) DPSS claimed CSAC did not respond to numerous Contract Discrepancy Reports (CDRs) issued by the Department.</p>	<p>Statement partially valid</p> <p>CSAC did respond to both CDRs issued to the Agency since 2009. However, CSAC did not respond within the required timeframes. The following are the dates of the CDRs and CSAC's responses:</p> <p>CDR Date – May 23, 2011</p> <ul style="list-style-type: none"> • Response due date – June 2, 2011. DPSS notified CSAC that their response was late on June 16, 2011, June 23, 2011, and July 12, 2011. • CSAC finally responded on July 20, 2011. • DPSS notified CSAC that their response was not sufficient on September 6, 2011 and October 11, 2011. • CSAC entered into a repayment plan in June 2012. <p>CDR Date – July 3, 2012</p> <ul style="list-style-type: none"> • Response due date – July 19, 2012. • DPSS notified CSAC that their response was overdue on August 1, 2012. • CSAC finally responded on August 7, 2012. <p>DPSS acknowledged that CSAC responded to the CDRs. However, DPSS indicated that CSAC's responses were delinquent and inadequate throughout the audit resolution process. We did not evaluate the adequacy of CSAC's responses to the CDRs. However, we noted that, for one of the two CDRs, DPSS did not notify CSAC that the Agency's response was inadequate.</p>

Review of Issues Raised by DPSS and CSAC

<p>(4) CSAC did not provide Corrective Actions Plans (CAPs).</p>	<p>Statement not valid</p> <p>Based on the documentation we reviewed, CSAC provided CAPs in their responses to the CDRs. DPSS indicated that CAPs were not complete because they were untimely, and did not respond to all deficiencies in the CDRs. As noted earlier, we did not evaluate the adequacy of CSAC's CAPs in addressing the CDRs. However, we noted that for one of the two CDRs, DPSS did not notify CSAC that the Agency's CAP was inadequate.</p>